

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 NEA-10 IO-13 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 /110 W

-----041045Z 065252 /15

R 040858Z JAN 77

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 5679

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA UNN

USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, GATT, MTN, AG

SUBJECT: US OBJECTIVES IN MTN

REF: 76 STATE 308918

1. SUMMARY: ALGERIA IS NOT A GATT MEMBER NOR AN ACTIVE PARTICIPANT IN THE MTN. ITS IDEOLOGICAL OPPOSITION TO THE EXISTING ECONOMIC ORDER AND ITS STATE-DOMINATED ECONOMY LEAD US TO EXPECT LITTLE FROM ALGERIAN PARTICIPATION IN THE MTN. TARIFFS HAVE LITTLE, OR AN UNKNOWN, EFFECT ON IMPORT DECISIONS, WHICH DEPEND LARGELY ON THE HARVEST, ON CENTRALLY-PLANNED INVESTMENTS, AND ON THE AVAILABILITY OF FOREIGN EXCHANGE. NON-TARIFF MEASURES, PARTICULARLY IMPORT LICENSING PRACTICE, ARE IMPORTANT BUT PROBABLY NOT NEGOTIABLE. WE DO NOT BELIEVE MEANINGFUL CONCESSIONS CAN BE NEGOTIATED WITH ALGERIA IN THE MTN. END SUMMARY.

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2. WE SEE LITTLE CHANCE THAT ALGERIA WILL BE WILLING AND ABLE TO MAKE MEANINGFUL CONTRIBUTION TO THE MTN. ALGERIA IS NOT A GATT CONTRACTING PARTY AND AS THE LEADING DOCTRINAIRE OPPONENT OF THE EXISTING ECONOMIC ORDER IS NOT LIKELY TO BECOME ONE. ALTHOUGH GATT IS BEING APPLIED DE FACTO TO ALGERIA, WE SEE NO EVIDENCE THAT GATT CONSIDERATIONS HAVE INFLUENCED ALGERIAN

POLICY IN ANY WAY. ALGERIA IMPOSES IMPORT QUOTAS OR, MORE OFTEN, COMPLETELY EXCLUDES CERTAIN IMPORTS THROUGH A LICENSING SYSTEM (AGI - AUTHORISATIONS GLOBALES D'IMPORTATION) THAT IS PROBABLY IN VIOLATION OF GATT BUT THAT AS FAR AS WE KNOW HAS NEVER PROVOKED COMPLAINTS BASED ON GATT CONSIDERATIONS. THE ALGERIAN ECONOMY IS DOMINATED BY STATE CORPORATIONS WHOSE PROCUREMENT POLICIES HAVE DISCRIMINATED AGAINST CONTRACTING PARTIES (I.E. FRANCE), BUT AGAIN WITHOUT PRODUCING A GATT-BASED COMPLAINT. ALGERIAN CUSTOMS AND OTHER AUTHORITIES FOLLOW CUMBERSOME PROCEDURES THAT ARE CONTRARY TO THE SPIRIT IF NOT THE LETTER OF GATT, BUT WE DO NOT BELIEVE THESE WOULD BE CHANGED IN RESPONSE TO ANY CONCEIVABLE OFFER WE MIGHT MAKE IN GENEVA.

3. WE DO NOT KNOW TO WHAT EXTENT ALGERIA HAS PARTICIPATED IN MTN MEETINGS BUT WE GATHER THAT THE ALGERIAN MISSION IN GENEVA HAS ONLY A "WATCHING BRIEF." (WE WOULD APPRECIATE DELEGATION'S COMMENTS ON EXTENT OF ALGERIAN PARTICIPATION.) WE WOULD NOT EXPECT THE MISSION TO DO MORE THAN KEEP ALGIERS INFORMED OF THE MAIN MTN DEVELOPMENTS, PARTICULARLY ANYTHING AFFECTING COMMODITIES SUCH AS PHOSPHATES, IRON ORE, CITRUS, WINE, OR OIL AND GAS. IN VIEW OF ALGERIA'S LEADING ROLE IN EFFORTS TO ESTABLISH A NEW INTERNATIONAL ECONOMIC ORDER, WE WOULD ALSO EXPECT THE MISSION TO FOLLOW CLOSELY THE MTN DISCUSSIONS OF REFORM OF GATT.

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4. WE CAN IDENTIFY NO TARIFF CONCESSIONS THAT THE U.S. SHOULD REQUEST OF ALGERIA IN THE MTN. STATE CORPORATIONS DOMINATE THE IMPORT TRADE AND IN PAYING TARIFFS THEY ARE SIMPLY TRANSFERRING MONEY FROM ONE GOVERNMENT POCKET TO ANOTHER. THIS IS NOT TO SAY THAT TARIFFS MIGHT NOT INFLUENCE THE INVESTMENT DECISIONS OF THESE ENTITIES, BUT OUR KNOWLEDGE OF THEIR OPERATIONS AND POLICIES IN THIS CLOSED SOCIETY IS NOT SUFFICIENT TO ALLOW US EVEN TO GUESS WHICH ALGERIAN TARIFF CONCESSIONS MIGHT BE OF SUBSTANTIAL INTEREST TO U.S. TRADE. IN GENERAL OUR EXPORTS ARE GRAINS AND OTHER FOODSTUFFS, ON WHICH THE TARIFF IS LOW (0 PERCENT TO 15 PERCENT), AND CAPITAL GOODS. ON WHICH THE TARIFF IS HIGHER (15 PERCENT TO 35 PERCENT) BUT PROBABLY NOT CRITICAL. IMPORTS OF FOOD ARE A FUNCTION OF DOMESTIC PRODUCTION AS FOOD EXPORTS (EXCEPT WINE AND CITRUS) ARE NOT SIGNIFICANT, WHILE IMPORTS OF CAPITAL GOODS DEPEND ON CENTRALLY-PLANNED

INVESTMENT DECISIONS AND THE AVAILABILITY OF FOREIGN EXCHANGE. THERE IS IN MOST CASES NO COMPETING LOCAL PRODUCTION OF CAPITAL GOODS AND, WHERE IT EXISTS (CEMENT, STEEL), IMPORTS ARE ALLOWED ONLY TO THE EXTENT NECESSARY TO MAKE UP SHORTFALLS.

5. WHILE WE SEE LITTLE WORTH DISCUSSING IN THE TARIFF STRUCTURE OF ALGERIA ITSELF, THE EC PREFERENCES FOR ALGERIAN CITRUS ARE PRESUMABLY OF INTEREST TO US. IF WE DECIDE TO BRING THE EC/MAGHREB AGREEMENTS INTO THE MTN (ALTHOUGH WE ASSUME THAT THESE ARE ATTACKABLE UNDER EXISTING GATT RULES), WE WILL PRESUMABLY HAVE TO DEAL WITH THE ALGERIANS AT LEAST ON THAT ISSUE. IT IS HARD TO SEE WHAT WE MIGHT OFFER IN RETURN FOR ALGERIAN COOPERATION ON THIS ISSUE, ALTHOUGH MEASURES TO EASE THE ACCESS OF ALGERIAN WINE TO THE U.S. MARKET MIGHT BE A POSSIBILITY. (THE OTHER THINGS LIMITED OFFICIAL USE

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THE ALGERIANS WANT FROM US--FPC APPROVAL OF LNG CONTRACTS, EXIMBANK FINANCE, A GREATER SHARE OF U.S./ALGERIAN TRADE FOR THEIR NATIONAL SHIPPING LINE--PRESUMABLY FALL OUTSIDE THE SCOPE OF THE MTN.)

6. THE MAIN MTN'S ARE THE AGI SYSTEM ALREADY MENTIONED AND ADMINISTRATIVE RIGIDITIES AND COMPLEXITIES THAT CAN DRIVE SUPPLIERS TO DISTRACTION BUT THAT WILL NOT BE EASILY CURED BY ANY CONCEIVABLE AGREEMENT IN GENEVA. IMPORT LICENSING (AGI) IS USED AS A MAJOR INSTRUMENT FOR RATIONING FOREIGN EXCHANGE AND ALGERIA IS UNLIKELY TO ABANDON IT IN FAVOR OF SUCH CAPITALIST DEVICES AS A FREE FOREIGN EXCHANGE MARKET OR A REALISTIC PRICE FOR THE DINAR.

7. IN SHORT, ALGERIA'S STATE-DOMINATED ECONOMY, ITS DOCTRINAIRE OPPOSITION TO THE EXISTING WORLD ECONOMIC ORDER (OF WHICH GATT IS A PRINCIPAL SYMBOL), ITS DEEPLY ROOTED ADMINISTRATIVE INEFFICIENCIES, AND ITS PROFOUND SUSPICION OF ORGANIZATIONS (OECD, GATT, EVEN IMF) THAT IT CONSIDERS EFFECTIVELY CONTROLLED BY ITS IDEOLOGICAL ENEMIES MAKE IT HIGHLY UNLIKELY THAT WE COULD NEGOTIATE MEANINGFUL CONCESSIONS FROM ALGERIA IN THE MTN.

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